ECONOMIC COMMENTARY

Alberta's Exports Sharply Lower in 2015

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Highlights:

In the first eight months of 2015, the value of Alberta's merchandise exports has fallen sharply by 21.3% compared to the same period of 2014, mainly as result of falling prices for crude oil and natural gas.

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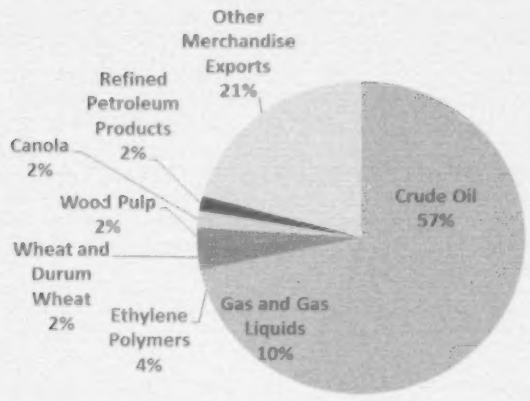
In the first eight months of 2015, the value of Alberta's international merchandise exports reached $63.4 billion, a drop of 21.3% from the same period in 2014. This large decline is entirely the result of lower prices which have tumbled by about 27% in 2015. Export volumes, however, rose strongly by an estimated 8%.

Export Shares of Alberta's Largest Commodities in the First Eight Months of 2015 (Total Exports: $63.4 Billion)



The two commodities that again dominate Alberta's export picture in 2015 are crude oil and natural gas. Oil has accounted for 57% of total merchandise exports so far in 2015 and gas and gas liquids for 10%. However, the 67% share for oil and gas is much lower than the 74% share in the same period of 2014.

Most of the $17.1 billion decrease in the value of total Alberta exports can be attributed to crude oil, which declined from $49.3 billion in the first eight months of 2014 to $36.1 billion in the same period of 2015, and to natural gas, which fell from $9.3 billion to $4.8 billion.

Even though the value of oil and gas exports dropped sharply, the 8% increase in overall Alberta export volumes was primarily the result of rising export volumes of oil and gas: crude oil volumes rose 13% in 2015, which in turn was caused by surging oil sands production; and gas volumes rose 4%. According to the National Energy Board, export volumes of synthetic crude oil and bitumen rose 6% and 20%, respectively, in the first half of 2015. Between the first eight months of 2014 and the same period of 2015, oil export prices tumbled 35% and gas prices 39%.

Total exports excluding crude oil and natural gas and gas liquids declined by a mere 0.4% to $20.9 billion, as strong growth for ethylene polymers, fertilizers, beef and wood pulp was more than offset by lower sales of oil and gas field machinery and equipment, petrochemicals, and refinery products. The largest ten commodities following oil and gas are:

- Ethylene polymers, such as polyethylene: $2.8 billion so far in 2015; up 12% from 2014 (higher prices)
- Wheat and durum wheat: $1.6 billion in 2015; down 4% from 2014 (lower volumes)
- Wood pulp: $1.1 billion in 2015; up 10% from 2014 (higher prices and volumes)
- Canola: $1.1 billion in 2015; down 10% from 2014 (lower volumes)

- Refined petroleum products, such as diesel fuel: $973 million in 2015; up 39% (volumes doubled but prices dropped sharply)
- Acyclic alcohols, such as ethylene glycol: $950 million in 2015; down 10% from 2014 (mostly due to lower volumes)
- Beef: $769 million in 2015; up 31% (higher prices)
- Ammonia: $506 million; up 35% (higher volumes)
- Live cattle: $434 million; down 6% (lower volumes)
- Lumber: $422 million; up 11% (higher volumes)

Alberta also exports a wide variety of oil and gas field machinery and equipment such as pumps, pipelines, boring and sinking machinery, oil derricks, and taps, cocks and valves. It is estimated that oil and gas field machinery and equipment exports totaled about $2 billion in 2015, down about 17% from 2014.

International exports are one of the province's largest economic drivers, accounting for close to one-third of GDP. GDP growth is based on constant dollar estimates, which means that it only reflects growth in volumes and not in prices. Therefore the 8% growth in export volumes is providing a major direct boost to the Alberta economy in 2015. However, much lower prices for oil and gas have negatively impact capital investment through much lower profits in the oil patch and are also affecting wages and salaries and therefore consumer spending. In other words, although export volumes provide a major direct boost to GDP, the indirect impacts resulting from much lower prices will offset much of these direct GDP gains.

Note: monthly export statistics can be found on the Alberta Economic Dashboard at http://economicdashboard.albertacanada.com/